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C O N F I D E N T I A L SECTION 01 OF 03 SINGAPORE 001019

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TAGS: [PGOV](#) [PHUM](#) [PREL](#) [ASEAN](#) [SN](#) [MY](#) [BU](#) [ID](#) [IN](#) [TH](#) [KN](#)
CH, RU
SUBJECT: DASD SEDNEY HEARS OF SINGAPORE'S MALAYSIA
ANXIETIES (AND BILAHARI'S TAKE ON THE REST OF THE WORLD)

REF: A. SINGAPORE 1001
[1](#)B. SINGAPORE 586

Classified By: DCM Daniel Shields for reasons 1.4 (b) and (d).

[1](#)1. (C) Summary: Singapore perceives a distinct possibility of racial conflict in Malaysia, Bilahari Kausikan, MFA Second Permanent Secretary told David Sedney, Deputy Assistant Secretary of Defense for East Asia September 15. Kausikan offered his view that if racial conflict provoked ethnic Chinese to flee Malaysia, they could "overwhelm" Singapore. Providing views on events elsewhere, Kausikan said the situation in Thailand is not as dangerous as in Malaysia, but the current political instability in Thailand would continue. Indonesia is the most stable of the three countries, but its governance is weak. Burma's neighbors prioritize its stability, fearing that the junta's collapse could provoke a Yugoslavia-style breakup. Kausikan predicted India would not be able to serve as a counter-balance to China for a long time due to serious deficiencies with its physical and legal infrastructure. Arguing that North Korea's leaders just want to survive, Kausikan said he is more comfortable with the prospect of a nuclear-armed North Korea than a nuclear-armed Iran. Regarding Russia (where he once served as Ambassador), Kausikan said no one should be surprised by Russia's actions in Georgia but dismissed any notion of a Russian resurgence, citing its serious domestic and demographic challenges and its over dependence on oil revenue. End Summary.

Anxiety About Malaysia

[1](#)2. (C) The situation in neighboring Malaysia is confused and dangerous, Singapore perceives a distinct possibility of racial conflict, Singapore MFA Second Permanent Secretary Bilahari Kausikan told Deputy Assistant Secretary of Defense for East Asia David Sedney in a September 15 meeting. (Embassy Comment: The Kausikan meeting took place a few days after Malaysian authorities arrested three persons, including two ethnic Chinese citizens, under the Internal Security Act, causing a political uproar, but no security incidents. End Comment.) Kausikan warned that Malaysia's current political instability could lead to unconstitutional action or a "constitutional emergency." He did not think that opposition leader Anwar Ibrahim had found the thirty crossover votes in Parliament necessary to fulfill his vow to bring down the government. But one side or the other might try the "time-tested strategy" of inciting communal conflict or some other incident to provoke a reaction. The possibility of conflict is high because the three competing factions backing

Anwar, Prime Minister Abdullah Badawi, and Deputy Prime Minister Najib Razak all have much at stake. Should Anwar fail in his bid to become Prime Minister, he would likely end up back in jail. Najib "has his neck on the line" in connection with a high-profile murder case and also needed to prevail politically in order to avoid prosecution. Having been in power for so long, ruling UMNO party leaders would also likely face repercussions if they lost power.

13. (C) A lack of competent leadership is a real problem for Malaysia, Kausikan said. Anwar might be the most competent leader, but he too comes with liabilities. While Anwar had made concessions to non-Muslims in order to build his coalition, he is unlikely to live up to his commitments to his non-Muslim partners should he gain power, Kausikan predicted. Should racial conflict break out, China would be compelled to weigh in on behalf of the ethnic Chinese population in Malaysia, though it was unlikely (at that stage) that anyone in Malaysia would listen to China's concerns. Kausikan said the GOS is also watching the situation carefully as it fears any significant racial conflict in Malaysia could lead to an influx of ethnic Chinese to Singapore and "overwhelm" Singapore. (NOTE: 60,000 - 70,000 Malaysians commute daily to work in Singapore. END NOTE.) Kausikan characterized Malaysian traditional foreign policy as including elements that are 1) anti-western, 2) pro-business, 3) supportive of China's growing role in the region. However, as China's influence in the region grows, Malaysia's "pro-Malay" domestic policies would eventually lead to problems with China.

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Thailand Not as Dangerous

14. (C) The situation in Thailand is confused, but not nearly as dangerous as in Malaysia, Kausikan said. Although Thaksin was corrupt, so is everyone else, including the opposition, he said. While Thaksin tried to reform the political structure of the government, he made a mistake in pursuing a relationship with the Crown Prince by paying off the Crown Prince's gambling debts. Kausikan said the Crown Prince was "very erratic, and easily subject to influence." However, even after the coup ousted Thaksin, his party still remained in power, and would continue to remain in power. Thus, the current instability would likely continue in Thailand.

Indonesia Most Stable

15. (C) Kausikan noted that there is ongoing debate within Indonesia over what kind of country it will eventually become: a unitary state, a federal state, or a loose confederation. Indonesia is "greening" (i.e., becoming more Islamic) but not as quickly as Malaysia, and Indonesia is unlikely to evolve into a theocracy. The role of the military is one of the big issues that still needs to be addressed, as the military is one of the few consistently effective institutions in the country. However, despite Indonesia's significant governance and structural problems, it is much more stable than either Malaysia or Thailand.

Burma's Neighbors Prioritize Stability Over Justice

16. (C) Kausikan praised the United States' humanitarian assistance response to Cyclone Nargis in Burma, adding that it was far superior to the approach taken by European countries such as France. Addressing the political situation, Kausikan argued that Burma's neighbors, including China and India, are more concerned with stability than justice there. Burma has over 100 different ethnic groups, and despite the Burmese military's obvious problems, the military is "holding everything together." Burma's neighbors feared that if the junta were ousted, things could get worse,

this could produce an Asian reprise of the breakup of Yugoslavia.

India Not Yet a Match For China

17. (C) Kausikan said that India is not a counter-balance to China and would not be for a long time, due to serious deficiencies with both physical and legal infrastructure. Indian politics is always complicated and the decision-making process is cumbersome. At the same time, there exists a nostalgia among some segments of the population for India's former role as a leader of the so-called "Non-Aligned Movement" that looked to the USSR as a natural ally of India and the "Non-Aligned" states. Kausikan claimed that India had changed its previous view that "weak neighbors make good neighbors," and that it now desired its neighbors to be stable and their governments to be capable. Expressing a "personal opinion," Kausikan said he had "no problem with" the U.S.-India nuclear deal.

North Korea

18. (C) Describing North Korea as a "theocracy," Kausikan expressed optimism that some of its leaders realize its economic situation is unsustainable and that some changes will have to be introduced. He noted that Kim Jong Il has become less critical of China's economic transformation. Despite the often virulent ideological statements, the leadership of North Korea just wants to survive, Kausikan argued; thus he would be "more comfortable with a nuclear-capable North Korea, than a nuclear-capable Iran." Recalling his two visits to North Korea (in May, reftel, and two years ago), Kausikan said he noticed several subtle signs of improved conditions in the three cities he visited. He compared favorably conditions in Pyongyang today to those he observed in Hanoi when Vietnam opened up in the 1990s.

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Same Old Russia

19. (C) Recounting his former service as Singapore's Ambassador to Russia, Kausikan said no one should be surprised by Russian actions in the Caucasus. "Russia is just behaving like Russia," he added. Despite Russia's current "bravado," the country is in serious trouble. The economy is "third world," the health care system is a shambles, and the demographic challenges are almost insurmountable, he said. Russia has little influence in Southeast Asia and appears to have no clear strategy for what it wants to achieve in Asia. Rather, it appears just to join organizations and events just to prove to itself that it remains a great power. Kausikan said Russia's dependence on oil revenue left it vulnerable to market fluctuations. He doubted the country would be in any better shape ten years hence.

China's Focus Internal, Can be Patient on Taiwan

110. (C) China's major domestic concerns will continue to keep the government's primary focus internal, Kausikan said. High inflation, a bad banking system, growing social inequity, increasing nationalism, a looming environmental catastrophe and the need to sustain high growth rates are all key challenges for China's leadership. China appears willing to work with the new KMT leadership in Taiwan, and Cross-Straits relations have improved greatly over the last year. Kausikan praised China's appointment of the unusually capable Wang Yi to run the Taiwan Affairs Office. He suggested that China had adopted a long-term approach to Taiwan and was not in a hurry to change the status quo.

Vietnam

¶11. (C) The economy of Vietnam is experiencing significant inflation for the first time, Kausikan said. However, the country is stable, has competent leadership, and would likely "weather the storm."

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